

Message Text

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72

ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 EB-11 FRB-02 H-02 INR-09 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-14

STR-08 TAR-02 TRSE-00 USIA-12 PRS-01 SAL-01 OMB-01

T-03 AF-10 ARA-11 EA-11 NEA-10 MBFR-03 SAJ-01 RSR-01

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R 201830 Z MAR 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3989

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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AMEMBASSY ROME

EC BRUSSELS UNN

US MISSION GENEVA 2706

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SUBJECT: ECONOMICS MINISTER FRIDERICH'S ON INTERNATIONAL TRADE
PROBLEMS

REF: BONN 3243; BONN 3166

1. SUMMARY. ECONMICS MINISTER FRIDERICH'S HAS RECENTLY MADE
SEVERAL PUBLIC STATEMENTS, IN WHICH EC ACCOMMODATION OF U. S. TRADE
POLICY COMPLAINTS HAS BEEN A PROMINENT THEME. A MARCH 9 SPEECH
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TO THE GERMAN EAST ASIAN ASSOCIATION IN HAMBURG, BRINGS TOGETHER MANY OF THE POINTS HE HAS BEEN MAKING WITH CONSIDERABLE EMPHASIS.

2. FRIDERICH'S CITED " THE CLOSE CONNECTION WHICH EXISTS BETWEEN MONETARY AND TRADE PROBLEMS, " AND SUPPORTED A PARALLEL APPROACH IN SEEKING SOLUTIONS. THE MINISTER SAID THE EUROPEANS, IN DEVELOPING A " LIBERAL CONCEPT FOR THEIR COMMON COMMERCIAL POLICY." SHOULD SEEK A COMPROMISE WITH THE US IN THE EC ENLARGEMENT NEGOTIATIONS. HE ALSO SUGGESTED THAT THE COMMUNITY SHOULD FOREGO REVERSE PREFERENCES IN ITS MEDITERRANEAN POLICY. THE ECONOMICS MINISTER CALLED ON EUROPE AND JAPAN TO ACCEPT GREATER RESPONSIBILITY FOR BALANCING TRADE BETWEEN THEMSELVES AND THE U. S. CONTENDING THAT THE UPCOMING TRADE NEGOTIATIONS SHOULD STIMULATE A GREATER LIBERALIZATION OF WORLD TRADE, FRIDERICH'S ALSO RECOGNIZED THE NEED FOR A MULTILATERAL SAFEGUARD SYSTEM TO EMERGE FROM THE NEGOTIATIONS. AN INFORMAL TRANSLATION OF PERTINENT PORTIONS OF THE MINISTER'S SPEECH IS PROVIDED BELOW. END SUMMARY.

3. IN ADDITION TO A FUNCTIONING INTERNATIONAL MONETARY SYSTEM, THE GREATEST POSSIBLE REMOVAL OF TRADE BARRIERS AND THE ACCEPTANCE OF RESPONSIBILITY FOR FAIR INTERNATIONAL COMPETITION ARE ESSENTIAL TO REDUCE AND AVOID DISTURBANCES IN PAYMENTS BALANCES. NO ONE WILL DENY THAT A CLOSE CONNECTION EXISTS BETWEEN MONETARY AND TRADE PROBLEMS. HOWEVER, IT WOULD BE TOO BURDENSOME IF WE INSISTED THAT PROGRESS IN THE AREAS OF MONETARY POLICY AND TRADE POLICY BE LINKED IN TIME AND SUBSTANCE. THE FRG THINKS IT BETTER TO UNDERTAKE THE NECESSARY WORK IN BOTH AREAS AND PROCEED AS QUICKLY AND INTENSIVELY AS POSSIBLE ALONG A PARALLEL COURSE.

4. WE ARE DILIGENTLY STRIVING, AS YOU KNOW, TO ACHIEVE A SOLID, EUROPEAN SOLUTION TO THE MONETARY PROBLEMS, AND WE ARE PREPARED TO MAKE SACRIFICES TO THIS SOLUTIONS. WE ALSO EXPECT OUR EUROPEAN PARTNERS TO RESPOND TO OUR IDEAS MORE IN THE FUTURE THAN IN THE PAST IF THE FINAL AIM IS TO DEVELOP A LIBERAL CONCEPT FOR OUR COMMON TRADE POLICY. IT APPEARS TO ME TO BE PARTICULARLY URGENT THAT THE (XXIV: 6 GATT) NEGOTIATIONS NECESSITATED BY THE EC ENLARGEMENT BE CONDUCTED IN A MANNER THAT A COMPROMISE WITH THE US CAN BE ACHIEVED. FURTHERMORE, THE COMMUNITY SHOULD ENDEAVOR TO ACCOMMODATE THE US DEMANDS BY OMITTING REVERSE PREFERENCE FROM THE EC'S MEDITERRANEAN POLICY.

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5. THE MOST IMPORTANT TRADE POLICY EVENT OF 1973 IS UNDOUBTEDLY THE NEW COMPREHENSIVE TRADE NEGOTIATIONS WHICH BEGIN THIS FALL IN THE GATT. THEY WILL DECISEIVELY INFLUENCE THE DEVELOPMENT OF INTERNATIONAL ECONOMIC RELATIONS OVER THE LONG TERM. IN VIEW OF THE STRONG INTERNATIONAL INTEGRATION OF THE GERMAN ECONOMY, THE NEW GATT ROUND IS OF THE GREATEST IMPORTANCE FOR OUR OWN DOMESTIC ECONOMIC DEVELOPMENT.

6. WE HAVE EMPHATICALLY SUPPORTED THE PLAN CALLING FOR THE MULTILATERAL TRADE NEGOTIATIONS TO GIVE A NEW IMPULSE TO, AND TO ENSURE CONTINUING LIBERALIZATION OF, WORLD TRADE. THE FRG HAS CONSTANTLY FAVORED AN OUTWARD- LOOKING ATTITUDE FOR EUROPE. IN ACCORDANCE WITH THE INSTRUCTIONS OF THE PARIS SUMMIT CONFERENCE, THE EC'S NEGOTIATIONS MANDATE MUST BE READY BY THE MIDDLE OF THE YEAR. TRUE TO THE TRADE ORIENTATION OF THE EC TREATY, AS WAS LAID DOWN IN ARTICLE 110, WE REGARD A LIBERAL AND CONSTRUCTIVE NEGOTIATION MANDATE AS INDISPENSABLE.

7. ONE SHOULD NOT FAIL TO RECOGNIZE THAT THE DIFFICULTIES WHICH WILL CERTAINLY APPEAR COULD, IN GENERAL, AFFECT THE NEGOTIATION RESULTS. ON THE OTHER HAND, THAT WOULD DISAPPOONT MANY HOPES. I AM THINKING PARTICULARLY ABOUT THE UNITED STATES, WHICH FOR A LONG TIME HAS WANTED TO CORRECT ITS BALANCE OF PAYMENTS DIFICIT THROGH IMPROVEMENT IN ITS TRADE BALANCE. IF THE TRADE DIFFICULTIES PERSIST, IT WILL BE EXTREMELY DIFFICULT FOR THEM TO ACHIEVE THIS OBJECTIVE. MORE UNDERSTANDING FOR THE DIFFICULT INTERNAL SITUATION WHICH EXISTS IN THE UNITED STATES IS DOUBTLESS ADVISABLE.

8. FOR SOME TIME, IT HAS BEEN CUSTOMARY TO SPEAK OF THE "TRADE TRIANGLE" -- EUROPE, US AND JAPAN. IN JUDGING THE ECONOMIC INTERDEPENDENCE AS WELL AS INJUY IN THIS TRIANGLE, THE RELATIONSHIP BETWEEN EXPORT VOLUME AND GNP SEEMS TO BE IMPORTANT; IT IS APPROXIMATELY NINE PERCENT FOR THE EC, TEN PERCENT FOR JAPAN, AND FOUR PERCENT FOR THE U. S. EUROPE'S AND JAPAN'S HIGH SHARE OF FOREIGN TRADE OBLIGATES THEM TO ASSUME A COMMON RESPONSIBILITY FOR A BETTER BALANCE IN THIS TRIANGLE OF TRADE, AND TO THE GREATEST EXTENT POSSIBLE, TO BALANCE THEIR TRADE WITH EACH OTHER AND WITH THE U. S.

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9. NATURALLY, WE HAVE OUR SPECIAL PROBLEMS WITH EAST ASIA. ABOVE ALL ARE THE SO- CALLED LOW PRICE COUNTRIES WHOSE EXPORTS,

PARTICULARLY TEXTILES, CONTINUE TO FRIGHTEN COMPETITORS.
A BEARABLE INTERNATIONAL ARRANGEMENT IS REQUIRED. A POLITICALLY
OPTIMAL MIDDLE COURSE MUST BE SOUGHT, ONE WHICH FALLS
BETWEEN THE ECONOMIC INTERESTS OF A LIBERAL IMPORT POLICY
AND A SOCIALLY LEGITIMATE DESIRE FOR PROTECTION BUT ONE WHICH
IS CLEARLY DISTINGUISHABLE FROM UNJUSTIFIED PROTECTIONISM.
ALL THESE THINGS WILL PLAY A CENTRAL ROLE IN THE GATT
NEGOTIATIONS WHEN THE ADEQUACY OF EXISTING MULTI-
LATERAL SAFEGUARD CLAUSES WILL BE EXAMINED... END QUOTE.
HILLENBRAND

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